

Message Text

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ACTION ARA-10

INFO OCT-01 AF-06 EUR-12 EA-07 NEA-10 ISO-00 ERDA-05

AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07

FEAE-00 FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05

OMB-01 PM-04 USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 PA-01 PRS-01 /126 W
----- 007760

R 061451Z SEP 75

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 50

INFO AMEMBASSY BEIRUT

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIMA

AMEMBASSY LONDON

AMEMBASSY PORT OF SPAIN

AMEMBASSY QUITO

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

AMCONSUL DHAHRAN

AMEMBASSY BONN

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: ENRG, VE

SUBJECT: MINES MINISTER QUESTIONED ON VENEZUELAN OIL MARKETING
AND OPEC PRICING.

1. SUMMARY. MINES MINISTER VALENTINE HERNANDEZ SPOKE
TO THE PRESS ON SEPT 2 ABOUT GOV MARKETING POLICY,
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AND ON SEPT 3 ABOUT OPEC PRICING POLICY. REGARDING

MARKETING, THE MINISTER INDICATED THAT VENEZUELA WOULD LIKE TO SELL OIL TO JAPAN AND GERMANY WHILE CONTINUING TO SUPPLY ITS NATURAL CUSTOMERS IN THE U.S. AND CANADA. HIS REMARKS APPEARED TO INDICATE A DESIRE ON THE PART OF VENEZUELA TO CHANGE MARKETING PATTERNS, BUT THE EMBASSY BELIEVES HE WAS EMPHASIZING THAT VENEZUELA HAS NO OTHER IMMEDIATE SALES PROSPECTS THAN THE TRADITIONAL MARKETS. ON OPEC PRICING, HERNANDEZ REAFFIRMED THAT THE GOV BELIEVES A PRICE "ADJUSTMENT" IS WARRANTED TO COVER THE INFLATION RATE THE OPEC PRODUCERS HAVE EXPERIENCED DURING THE PAST YEAR. END SUMMARY.

2. AT A PRESS CONFERENCE FOLLOWING WEEKLY CABINET MEETING, SEPT 2 MINES MINISTER VALENTIN HERNANDEZ FORMALLY ANNOUNCED THAT A DECREE HAD BEEN APPROVED CONVERTING VENEZUELAN PETROLEUM CORP (CVP) FROM AN AUTONOMOUS GOVT INSTITUTION INTO COMMERCIAL FIRM WHICH WILL COME UNDER AUTHORITY OF PETROVEN. CVP HAD EXISTED FOR 15 YEARS AS THE FIRST STATE-OWNED OIL COMPANY, BUT IS NOW BEING "NATIONALIZED" IN A MANNER SIMILAR TO THE PRIVATE CONCESSIONAIRES.

3. HERNANDEZ WAS ASKED THE INEVITABLE QUESTION ABOUT THE POSSIBILITY OF DEVELOPING NEW INTERNATIONAL MARKETS FOR VENEZUELAN OIL. HE REPLIED THAT VENEZUELA WOULD LIKE TO SELL OIL TO SUCH COUNTRIES AS JAPAN AND GERMANY, BUT WILL CONTINUE SUPPLYING ITS NATURAL MARKETS IN THE U.S. AND CANADA. HERNANDEZ WAS THEN QUOTED AS SAYING "THE DAY THAT A CLIENT OFFERS US BETTER CONDITIONS, IN PRICE AS WELL AS TECHNOLOGICAL AID, WE WILL THINK ABOUT CHANGING MARKETS. BUT, UNTIL THAT HAPPENS, WE WILL CONTINUE WITH THE MARKETS WE HAVE NOW." THE MIN FOLLOWED THIS COMMENT WITH A DENIAL THAT IT WAS INTENDED AS A THREAT TO THE U.S., WHICH NOW RECEIVES 1.3 MILLION B/D OUT OF A TOTAL VENEZUELAN PRODUCTION OF NEARLY 2.5 MILLION B/D.

4. ON SEPT 3, HERNANDEZ AGAIN SPOKE TO REPORTERS, WHO ASKED HIM TO COMMENT ON REMARKS ATTRIBUTED TO U.S. TREASURY SECRETARY SIMON, TO THE EFFECT THAT A NEW INCREASE IN OIL PRICES WILL CAUSE SERIOUS DIFFICULTIES TO THE WORLD ECONOMY. HERNANDEZ SAID THAT ANY OPEC INCREASE WILL BE LIMITED OFFICIAL USE

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BASED ON "COMMON SENSE". HE SAID THAT VENEZUELA CONSIDERS THE PROJECTED PRICE INCREASES TO BE "ADJUSTMENTS" WHICH WILL BE DESIGNED TO RESTORE THE VALUE OF OPEC OIL EXPORTS TO THE LEVEL OF ONE YEAR AGO.

5. COMMENT - HERNANDEZ IS ASKED ABOUT POSSIBLE NEW OIL CUSTOMERS ALMOST EVERY TIME HE MEETS THE PRESS. SINCE HE HAS NOTHING NEW TO TELL THEM ON THIS SUBJECT, THE MIN

SOMETIMES RESORTS TO NEW PHRASEOLOGY (PERHAPS AS A RESULT OF SHEER BOREDOM FROM LISTENING TO HIS OWN REPETITION OF MARKETING POLICY). THE GOV WOULD BE PLEASED TO SELL MORE OIL, AND ON BETTER TERMS, BUT FROM THE VENEZUELAN POINT OF VIEW NO ONE IS INTERESTED AT THE MOMENT.

ON THE QUESTION OF OPEC PRICING, WE HAVE PREVIOUSLY REPORTED THAT THE GOV ADVOCATES A MODEST PRICE INCREASE. HERNANDEZ MERELY REITERATED THE VENEZUELAN POSITION THAT AN OIL PRICE INCREASE IS WARRANTED DUE TO INFLATION-ARY EFFECTS. HIS REMARKS CONTAINED NONE OF THE STEAM WHICH SO OFTEN APPEARED IN PAST GOV REBUTTALS OF U.S. OFFICIAL STATEMENTS OPPOSING OIL PRICE INCREASES. THE DELICATE NATIONALIZATION SITUATION HAS INDUCED A SENSE OF CAUTION.

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